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PanCanadian

MR. IAN CARMAN
BUSINESS & FINANCE EDITOR
THE GLOBE & MAIL
140 KING STREET WEST
TORONTO, ONTARIO
CANADA

INTERIM REPORT

For the Nine Months Ended
September 30, 1974



PanCanadian Petroleum Limited

PanCanadian Petroleum Limited

P.O. Box 2850

Calgary, Alberta

T2P 2S5

PanCanadian Petroleum Limited and Subsidiaries

CONSOLIDATED FINANCIAL SUMMARY

(thousands of dollars)

Balance Sheet

Current assets	.....	.....
Current liabilities	.....	.....
Working capital	.....	.....
Property, equipment and other assets	.....	.....
Long term debt	.....	.....
Deferred credits	.....	.....
Shareholders' equity	.....	.....
Shares outstanding	.....	.....

September 30

1974 1973
(Notes 1 & 2) (Note 3)

\$ 68,735	\$ 30,020
44,708	10,822
24,027	19,197
288,443	264,069
312,470	283,266
93,275	95,832
87,714	79,799
\$ 131,481	\$ 107,635
31,219,534	31,212,589

For the Nine Months
Ended September 30

1974 1973
(Notes 1 & 2) (Note 3)

Source of working capital:	.....	.....
Funds from operations	.....	.....
Long term debt	.....	.....
Long term debt assumed — TransCanada Petroleum Limited	.....	.....
Other	.....	.....

\$ 54,173	\$ 36,311
14,000	10,000
—	16,145
57	97
68,230	62,553
32,542	21,391
14,193	2,293
—	44,868
8,116	4,681
252	19
55,103	73,252
\$ 13,127	\$ (10,699)

Application of working capital:	.....	.....
Capital expenditures — net	.....	.....
Bank loans	.....	.....
Capital assets acquired — TransCanada Petroleum Limited	.....	.....
Dividends	.....	.....
Other	.....	.....

32,542	21,391
14,193	2,293
—	44,868
8,116	4,681
252	19
55,103	73,252
\$ 13,127	\$ (10,699)

Increase (decrease) in working capital

\$ 93,233	\$ 53,589
18,620	11,192
7,756	6,133
15,755	14,244
42,131	31,569
51,102	22,020
18,899	8,501
\$ 32,203	\$ 13,519

Statement of Income

Gross revenue	.....	.....
Operating and administrative expenses	.....	.....
Interest expense	.....	.....
Depreciation and depletion expense	.....	.....

\$ 93,233	\$ 53,589
18,620	11,192
7,756	6,133
15,755	14,244
42,131	31,569
51,102	22,020
18,899	8,501
\$ 32,203	\$ 13,519

Income before income taxes		
Provision for income taxes		

\$ 32,203	\$ 13,519
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Notes: 1. Provision for mineral reserve taxes on Company feeclands in Alberta estimated based on 1973 mill rate pending establishment of rate for 1974.

2. Provision for income taxes does not give effect to the May 6 budget proposals of the federal government. Retained to give retroactive effect to the adoption of full tax rates in applying the tax allocation basis of accounting in respect to oil and gas exploration and drilling expenditures which had the effect of decreasing net income for the 1973 nine months by \$2,518,000 (8¢ per share) and retained income as at December 31, 1973 by \$21,700,000.

CONSOLIDATED OPERATING SUMMARY

Production — net daily average	.....	.....
Oil — bbls	.....	.....
Natural gas liquids — bbls	.....	.....
Empress Plant — bbls	.....	.....
Natural gas — MMcf	.....	.....

38,157	40,538
2,847	7,067
11,252	50,454
52,256	205
226	

TO THE SHAREHOLDERS:

On behalf of your Board of Directors, the accompanying report and financial and operating summary are presented for your information.

Nine Month Comparative Highlights

FINANCIAL (thousands of dollars)

	1974	1973
Gross revenue	\$93,233	\$53,589
Funds from operations	54,173	36,311
Per share	1.74	1.16
Net income	32,203	13,519
Per share	1.03	0.43
PRODUCTION (net daily average)		
Oil and natural gas liquids — bbls	52,256	50,454
Natural gas sales — MMcf	226	205

PanCanadian continued to rank as the leading operator of wells drilled in Canada for the first nine months of 1974. A total of 3,078 wells were drilled in Canada during this period, and 542 wells or 18% of all wells drilled were on lands in which your Company has an interest.

During the third quarter the Company drilled or participated in 302 wells, recording 16 oil wells and 243 gas wells.

In addition to our successful exploration and development projects in the shallow gas region of Alberta, a joint venture in the Kiliam area of eastern Alberta resulted in seven gas wells. A development program in the Kinsella area near Lloydminster recorded two oil wells, one gas well and one dual oil and gas well. Gas was also discovered in a well drilled at Perbeck, two wells in the southeastern Bantry area and three wells near Drumheller, all in Alberta. Two oil wells were successfully drilled, one at Turin near Lehighbridge and the other a delineation well at the Taber South East field, both in Alberta.

Foreign operations included a development well in the OK field of Campbell County, Wyoming. In August, PanCanadian in partnership with Ashland Oil Inc. made an agreement with Iran to explore 1.8 million acres for new oil resources in the North Lar Block of southern Iran. Your Company retains a twenty percent interest in the partnership.

On November 1, the National Energy Board will initiate a \$0.50 per barrel rebate to purchasers on specifically named crude oils which will effectively reduce the current \$5.20 per barrel Federal oil export tax. The reduction is insufficient and based on November nominations is not expected to rectify the decreased demand for medium and heavy gravity crude oil. Loss of marketability due to over pricing in relation to other oils in the northern United States has been amply demonstrated recently. During September, the decrease in market demand for southeastern Saskatchewan medium gravity crude oil and southern Alberta heavy crude oils resulted in a production loss to your Company of 5,700 barrels per day.

The Alberta Energy Resources Conservation Board recently held a public hearing in Calgary to deal with PanCanadian's application for an Industrial Development Permit to construct the Brooks Ammonia Plant. The board reserved its decision on the application and as of this date no further announcement has been made.

Robert Campbell

John Taylor

Chairman of the Board and
Chief Executive Officer.
Calgary, Alberta.

President.

November 1, 1974

"Unaudited"